

Message Text

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FM AMEMBASSY PORT MORESBY
TO SECSTATE WASHDC 2194
INFO AMEMBASSY CANBERRA
AMEMBASSY JAKARTA
AMEMBASSY SUVA
AMEMBASSY WELLINGTON
CINCPAC HONOLULU HI

C O N F I D E N T I A L SECTION 1 OF 2 PORT MORESBY 0412

FOR DEPUTY UNDERSECRETARY FOR MANAGEMENT FROM AMBASSADOR

CINCPAC FOR POLAD

E.O. 11652: GDS
TAGS: AMGT PFOR PP
SUBJ: PARM-ANNUAL POLICY AND RESOURCE ASSESSMENT FOR PAPUA NEW
GUINEA-PART I

REF: A) CERP 001, B) STATE 038356 (DTG 190052Z FEB 77),
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PART I. POLICY ASSESSMENTS

A. US INTERESTS

I BELIEVE THAT THE TIME HAS COME FOR A BROADER LOOK AT OUR
CONCERNS IN THE PACIFIC AREA. OUR BILATERAL INTERESTS IN THE
ISLAND COUNTRIES ARE NOT GREAT, BUT THE WHOLE OF OUR INTEREST
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IN THE PACIFIC FAR EXCEEDS THE SUM OF OUR BILATERAL INTERETS.
THE IMPORTANCE OF THE PACIFIC OCEAN ITSELF WITH ITS TRADE
ROUTES, AIR LANES, FISHING RESOURCES, AND SEA BED WEALTH,
MAKE THIS AREA OF CONCERN, ESPECIALLY WITH THE POSSIBLE
EXTENSION OF THE 200 MILE ECONOMIC ZONE AROUND EVERY
CORAL ATOLL. WHAT HAPPENS IN THE PACIFIC OCEAN ITSELF
WILL BE GREATLY AFFECTED BY WHAT HAPPENS IN THE ISLAND

COUNTRIES.

OUR INTERESTS INCLUDE: (A) DENIAL OF THE AREA TO POSSIBLE HOSTILE POWERS WHO MAY SEEK A FOOTHOLD, EITHER STRATEGIC OR ECONOMIC, IN THE ISLAND COUNTRIES, (B) GOOD RELATIONS WITH AND STABILITY OF COUNTRIES CLOSE TO AMERICAN TERRITORIES (PNG IS CLOSER TO TTPI AND GUAM THAN MOST OF THE CARIBBEAN COUNTRIES TO MIAMI), (C) PRESERVATION OF OPEN SEA LANES AND AIR LANES FROM GUAM AND JAPAN TO AUSTRALIA THROUGH PNG AND THE SOLOMONS, (D) OUR DERIVATIVE INTEREST BECAUSE OF OUR TIES WITH AUSTRALIA, NEW ZEALAND AND INDONESIA, (E) MODERATE ECONOMIC AND POLITICAL POLICIES OF THESE COUNTRIES AS THEY BECOME INDEPENDENT IN INCREASING NUMBERS AND AS THEY PARTICIPATE IN INTERNATIONAL FORA, (F) INCREASING THE US SHARE OF THE IMPORT MARKET (PNG'S TOTAL IMPORTS IN FY 75 WERE US\$610 MILLION, OF WHICH 50 PERCENT CAME FROM AUSTRALIA AND LESS THAN 10 PERCENT FROM THE US DESPITE THE SIGNIFICANTLY LOWER US PRICES AND ROUGHLY EQUAL SHIPPING CHARGES), (G) CONTINUING AND INCREASING RECEPTIVITY TO US INVESTMENT (INCLUDING, IN PNG, SUCH OPPORTUNITIES AS A US\$200 MILLION PULP PROJECT, COPPER DEVELOPMENT, AND HYDROELECTRIC POWER), AND, IN THE MORE DISTANT FUTURE, RECEPTIVITY TO US INVESTMENT IN A SEA BED RESOURCES AFTER THE ANTICIPATED EXTENSION OF THE 200 MILE ECONOMIC ZONE, AND (H) AN EXPANDING CONTRIBUTION TO THE WORLD SUPPLY OF FOOD (TUNA, COFFEE, COCOA, TEA), RAW MATERIALS (COPPER, LUMBER, ETC.), AND EVENTUALLY ENERGY (HYDROELECTRIC POWER, POSSIBLY OIL).

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B. OVERVIEW: FACTORS WHICH MAY AFFECT US BILATERAL AND MULTILATERAL POLICIES

IN EIGHTEEN MONTHS OF INDEPENDENCE PNG HAS MUTED ITS SECESSIONIST PROBLEMS, MAINTAINED LAW AND ORDER, EXPANDED TRADE AND ECONOMIC RELATIONS WITH OTHER COUNTRIES, MAINTAINED BUDGET STRINGENCY AND A HARD CURRENCY, CONTROLLED INFLATION, UNEVENTFULLY REPLACED A GOVERNOR GENERAL WHO RESIGNED, AND IS NOW ABOUT TO HOLD A NATIONAL ELECTION. THE SOLOMON ISLANDS, IN THE PAST YEAR, HAS SACKED A CHIEF MINISTER, DRIVEN HIM TEMPORARILY OUT OF POLITICS, AND IS NOW MOVING FITFULLY TOWARDS INDEPENDENCE.

THE DARKEST CLOUD ON THE HORIZON IS THE TORRES STRAIT ISSUE WHICH, UNLESS AUSTRALIA MODERATES ITS POSITION, COULD ENFLAME PNG ATTITUDES TOWARD AUSTRALIA AND EMBITTER PAPUA NEW GUINEANS TOWARD AUSTRALIANS AND POSSIBLY TOWARDS OTHER WHITES. CANBERRA'S INTRANSIGENCE ON THIS ISSUE COULD

HURT AUSTRALIA THROUGHOUT THE PACIFIC.

A RESURGENCE OF SECESSIONIST ACTIVITIES IN BOUGAINVILLE, PAPUA OR ELSEWHERE COULD OCCUR, ALTHOUGH AT THIS TIME SUCH ACTIVITY SEEMS UNLIKELY TO BECOME A MAJOR FACTOR AFFECTING OUR POLICIES IN THE NEXT YEAR OR SO. THE FRAGMENTATION OF THE SOLOMON ISLANDS IS PROBABLY MORE LIKELY THAN OF PNG.

THE ELECTION CAMPAIGN IN PNG WILL BRING ABOUT A QUANTUM JUMP IN EXPECTATIONS AS CANDIDATES OUT-PROMISE EACH OTHER, AND SERIOUS DISAPPOINTMENTS WILL FOLLOW, BUT PROBABLY NOT FOR TWO OR THREE YEARS; WE DO NOT ANTICIPATE VIOLENCE AND STRIFE DURING THE CAMPAIGN.

PNG FOREIGN MINISTER KIKI (ALSO DEPUTY PRIME MINISTER AND DEFENCE MINISTER) MAY NOT BE REELECTED TO HIS PARLIAMENTARY CONFIDENTIAL

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SEAT. HIS SUCCESSOR COULD INFLUENCE PNG AWAY FROM ITS NEUTRALIST FOREIGN POLICY, EITHER IN A MORE EMPHATIC PRO-US POLICY OR CLOSER TO THE RADICAL THIRD WORLD OR SOVIET ORBIT. THE NEW FOREIGN MINISTER MIGHT EXACERBATE RELATIONS WITH INDONESIA, ALWAYS A SENSITIVE SITUATION, OR WITH THE SOLOMONS.

THE PNG ECONOMY IS NOW SUFFICIENTLY DIVERSIFIED SO THAT A FALL IN THE PRICE OF ANY ONE MAJOR COMMODITY WITH THE POSSIBLE EXCEPTION OF COPPER IS UNLIKELY TO CAUSE SEVERE DISRUPTIONS IN THE ENTIRE ECONOMY. A SERIOUS SLUMP IN THE WORLD ECONOMY, WITH FALLING PRICES OF ALL OF PNG'S EXPORT COMMODITIES, COULD BE DESTABILIZING THROUGH ITS EFFECTS ON GOVERNMENT REVENUES AND PERSONAL INCOME, BUT SUCH A SLUMP NOW SEEMS UNLIKELY.

A MORE LIKELY PROBLEM FOR PNG IS THE EVENTUAL FALL IN COFFEE PRICES AS CURRENT HIGH PRICES OF COFFEE MAY HAVE LED TO THE REPLACEMENT OF FOOD GARDENS BY COFFEE TREES. IF COFFEE PRICES FALL, THIS COULD LEAD TO SERIOUS SHORT-TERM NUTRITION PROBLEMS AND THE POSSIBLE EXACERBATION OF CLAN TENSIONS.

UNREST ACCOMPANYING THE ELECTION, DIFFICULTIES IN ESTABLISHING A NEW GOVERNMENT, AN ECONOMIC SLUMP, A NEW ANTI-WESTERN FOREIGN MINISTER COULD PROVIDE AN OPPORTUNITY FOR SOVIET INITIATIVES, BUT SUCH A DEVELOPMENT IN PNG DOES NOT SEEM LIKELY THIS YEAR, AND PERHAPS NOT NEXT YEAR. OTHER PACIFIC ISLANDS WITH WEAKER ECONOMIES, FEWER OPPORTUNITIES, AND WITHOUT THE GENEROUS AID FROM AUSTRALIA, ARE MORE VULNERABLE THAN PNG. THE MOST EFFECTIVE

INVESTMENT OF SOVIET PENETRATION WOULD BE ITS MERCHANT
SHIPPING CAPABILITY.

THE RECENT ANNOUNCEMENT THAT THE INDONESIAN GOVERNMENT
WILL MODERNIZE AND EXPAND ITS ARMY IS CAUSING CONCERN HERE,
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AND SHOULD SUCH A DEVELOPMENT TAKE PLACE IT WOULD HAVE
AN UNSETTLING EFFECT IN PNG.

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FOR DEPUTY UNDERSECRETARY FOR MANAGEMENT FROM AMBASSADOR

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C. OBJECTIVES AND COURSES OF ACTION

1. TO CONTRIBUTE TO THE POLITICAL AND ECONOMIC DEVELOPMENT
OF PACIFIC ISLAND COUNTRIES, AND THEIR TERRITORIAL
INTEGRITY. COURSES OF ACTION:

A. ESTABLISH A PROGRAM OF GRADUATE FELLOWSHIPS FOR

STUDY IN THE UNITED STATES FOR INDIVIDUALS OF POTENTIAL
INFLUENCE IN POLITICS, GOVERNMENT SERVICE, THE MEDIA AND
ACADEMIC INSTITUTIONS;

B. EXPAND FINANCIAL ASSISTANCE THROUGH AID TO VOLAGS
OPERATING IN THE PACIFIC;

C. CONTRIBUTE FINANCIALLY TO ECONOMIC DEVELOPMENT
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THROUGH SOME INDIGENOUS CHANNEL SUCH AS THE SOUTH PACIFIC
FORUM AND ITS SUBSIDIARY, THE SOUTH PACIFIC ECONOMIC
COMMISSION (SPEC);

D. DEMONSTRATE OUT SYMPATHETIC INTEREST IN THE
ECONOMIC DEVELOPMENT OF THESE COUNTRIES BY PROVIDING
USIS-FUNDED SPECIALISTS, BY PROGRAMING OF IV GRANTEES,
BY WRITTEN INFORMATION ABOUT ECONOMIC DEVELOPMENT IN
OTHER COUNTRIES, BUT ENCOURAGE THEM TO LOOK TO AUSTRALIA
AND NEW ZEALAND AND THE INTERNATIONAL ENDING INSTITUTIONS
RATHER THAN TO THE USG FOR BILATERAL GRANT OR LOAN ASSISTANCE.

E. PROVIDE PEACE CORPS ASSISTANCE WHEN REQUESTED AT
LEVELS AND IN FIELDS WHICH WILL NOT BE COUNTERPRODUCTIVE
POLITICALLY; AND

F. REFRAIN FROM ACTIONS SEEMING TO SUPPORT THE
BREAKUP OF EXISTING POLITICAL ENTITIES, AND BE WILLING TO
VOICE OUR SUPPORT FOR THE INTEGRITY OF EXISTING POLITICAL
UNITS.

2. TO CONTRIBUTE TO THE STRENGTHENING OF THE PACIFIC
ISLAND COMMUNITY. COURSES OF ACTION:

A. ENCOURAGE VISITS, TRADE, TRADE MISSIONS, ETC.,
BETWEEN GUAM, TTPI, AND AMERICAN SAMOA ON THE ONE HAND
AND PACIFIC ISLAND COUNTRIES ON THE OTHER;

B. ENCOURAGE VISITS, TRADE, INVESTMENT AND TRADE
MISSIONS FROM HAWAII TO THE PACIFIC ISLAND COUNTRIES;

C. ENCOURAGE THE DEVELOPMENT OF TRANSPORTATION AND
COMMUNICATIONS BETWEEN GUAM, TTPI, AMERICAN SAMOA AND
HAWAII ON THE ONE HAND AND PACIFIC ISLAND COUNTRIES ON
THE OTHER THROUGH GRANTING LANDING RIGHTS, ETC. (THE
ABOVE THREE PROPOSALS WILL REQUIRE THE ASSIGNMENT OF
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SPECIFIC LIAISON AND COORDINATING RESPONSIBILITIES TO ONE OR MORE PERSONS IN WASHINGTON OR IN US PACIFIC ISLANDS.)

D. CONTRIBUTE FINANCIALLY TO THE REGIONAL FACILITIES (SHIPPING, ETC.) AS THEY ARE ESTABLISHED (SEE ALSO POINTS C.1.D. ABOVE);

E. ENCOURAGE THE PARTICIPATION OF GUAM, TTPI, AMERICAN SAMOA AND HAWAII IN THE PACIFIC FORA, PERHAPS AS ASSOCIATE MEMBERS; AND

F. PROVIDE FOR A CLOSER INTEGRATION OF THE US REGIONAL EFFORT THROUGH PACIFIC REGIONAL COM MEETINGSRN WITH PARTICIPATION OF REPRESENTATIVES FROM DOTA AND EA, POSSIBLY AS AN ADD-ON TO EA COM MEETINGS.

3. TO PROMOTE THE HARMONIOUS RELATIONS OF PACIFIC ISLAND COUNTRIES WITH THEIR LARGER NEIGHBORS. COURSES OF ACTION:

A. FOLLOW TORRES STRAIT ISSUE CLOSELY, AND ENCOURAGE CANBERRA TO ADOPT A MODERATE APPROACH IN NEGOTIATING WITH THE GPNG, AND POSSIBLY PROPOSE THAT WELLINGTON MAKE A SIMILAR APPROACH TO CANBERRA;

B. SHOULD THE TORRES STRAIT CONTROVERSY LEAD TO A REJECTION OF AUSTRALIA AND AUSTRALIANS ON THE PART OF THE PNG, URGE NEW ZEALAND TO STEP INTO THE POLITICAL AND PSYCHOLOGICAL VACUUM THAT MAY DEVELOP;

C. PROVIDE THE GPNG WITH INFORMATION ABOUT THE PROPOSED INDONESIAN MILITARY EXPANSION IN THE HOPES OF REASSURING THE GPNG; AND

D. AS APPROPRIATE, ENCOURAGE TIES BETWEEN ASEAN AND THE SOUTH PACIFIC FORUM, AND PNG'S EVENTUAL MEMBERSHIP IN ASEAN.

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4. TO PROMOTE UNDERSTANDING OF A FUNCTIONING DEMOCRATIC SYSTEM OF GOVERNMENT AND GOOD WILL TOWARDS THE UNITED STATES. COURSES OF ACTION;

A. EXPAND AND DIVERSIFY OUR CULTURAL EXCHANGE PROGRAM, OUR MOST EFFECTIVE MEANS OF ACQUAINTING PAPUA NEW GUINEANS WITH THE UNITED STATES, TO INCLUDE MORE GRANTS TO STUDENTS FOR GRADUATE STUDY IN THE UNITED STATES;

B. CONTINUE OUR FILM LIBRARY PROGRAMS, AND

C. EXPAND OUR SPEAKER PROGRAM.

5. TO ENCOURAGE THE CONTINUATION OF MODERATE FOREIGN POLICIES OF PNG AND THE SOLOMONS (AND OTHER PACIFIC ISLANDS), AND ESPECIALLY TO ENCOURAGE DENIAL OF BASES AND FACILITIES TO POTENTIAL ENEMIES OF THE UNITED STATES.

COURSES OF ACTION:

A. CONTINUE TO ENGAGE IN FRANK DISCUSSIONS WITH PNG LEADERS AND, WHEN POSSIBLE, WITH SOLOMON ISLANDS LEADERS, REGARDING A WIDE RANGE OF FOREIGN POLICY ISSUES, AND PROVIDE INFORMATION WHEN REQUESTED;

B. ENCOURAGE PNG TO TAKE POSITIONS SUPPORTIVE OF OR NOT IN CONFLICT WITH US INTERESTS, BUT SEVERELY LIMIT THE NUMBER OF STRONG DEMARCHES WE MAKE ON ISSUES OF PERIPHERAL INTEREST TO THE GPNG; AND

C. FOLLOW CAREFULLY THE ACTIVITIES OF THE USSR AND PRC IN ESTABLISHING CLOSER TIES IN PNG AND THE SOLOMONS, INCLUDING SUCH ACTIVITIES AS THE REPEATED STUDENT TRIPS TO PRC UNDER A SUBSIDIZED PROGRAM.

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6. TO ENCOURAGE US TRADE AND INVESTMENT. COURSES OF ACTION:

A. PROMOTE THE USE OF THE EMBASSY'S COMMERCIAL SERVICES THROUGH FILMS, LECTURES AT BUSINESSMEN'S LUNCHEONS, AND TRADE USA SEMINARS IN VARIOUS CITIES;

B. ESTABLISH A COMMERCIAL NEWSLETTER;

C. PROMOTE AT LEAST ONE AND PERHAPS TWO CATALOG SHOWS, THE FIRST ON FORESTRY EQUIPMENT AND THE SECOND ON RETAIL MAIL-ORDER CATALOGS;

D. UNDERTAKE A MAJOR MARKETING STUDY ON FORESTRY EQUIPMENT;

E. REVIEW MAJOR PROJECTS FOR POSSIBLE CONTRACTS FOR CONSULTING ENGINEERS AND SALES OF US EQUIPMENT;

F. ATTEMPT TO CHANGE THE CURRENT GPNG TENDER PERIOD OF 30 DAYS TO A PERIOD LONG ENOUGH FOR US FIRMS TO HAVE TIME TO MAKE A BID;

G. ENCOURAGE CLEAR, FAIR AND STABLE GPNG POLICIES
ON FOREIGN INVESTMENT;

H. ENCOURAGE PNG TO TAKE A PRAGMATIC ATTITUDE
TOWARD ACCESS TO ITS NATURAL RESOURCES; AND

I. ENCOURAGE PNG TO CONTINUE ITS MODERATION POSITION
IN GROUPS OF RAW MATERIALS EXPORTERS IN WHICH IT PARTICIPATES.
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